

## METHOD AND BUSINESS PROCESS FOR THE ESTIMATION OF EROSION COSTS IN ASSEMBLE-TO-ORDER MANUFACTURING OPERATIONS

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### 5 **Abstract of the Disclosure**

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A method for forecasting the component surpluses for a target planning period is provided. To begin this method, a planner first identifies each component required to produce a product. For each component, the planner defines a planned level and an uncancelable level. The planned level for a component is the quantity at which the component is expected to be available. The uncancelable level for a component is the quantity of the component that cannot be liquidated without charge. The planner also defines a vector of connect rates for the components. After the required data has been entered, an expected surplus is computed for each component. To compute a component's expected surplus, the component is assumed to be available at its uncancelable level. The remainder of the components are assumed to be available at their respective planned levels. The mean production for the component is computed and used, along with the uncancelable level the selected component and the vector of connect rates to compute the component's expected surplus. This computation is repeated for all components in turn.